

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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In re	: Chapter 11 Case No.
	:
LEHMAN BROTHERS HOLDINGS INC., <i>et al.</i>,	: 08-13555 (JMP)
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Debtors.	: (Jointly Administered)
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**FEE COMMITTEE REPORT PERTAINING TO THE FIRST INTERIM FEE APPLICATIONS
OF ALL RETAINED PROFESSIONALS**

In accordance with the Fee Protocol approved by order of this Court on May 26, 2009, the Fee Committee hereby submits its initial report to the Court with respect to the Fee Committee's review of the Retained Professionals First Interim Fee Applications. This Report has been unanimously approved by the Fee Committee members.

I. The Fee Committee's Review Process

To accomplish a review of the interim fee applications submitted by the Retained Professionals, the Fee Committee undertook and completed the following tasks:

- Met in person in New York City on May 21, June 8, and July 30, 2009 to develop guidelines and procedures for the implementation of its work pursuant to the Fee Protocol;
- Retained the services of the firm of BrownGreer, PLC ("BrownGreer") to assist the Fee Committee in its various tasks;
- Reviewed all fee applications submitted by each Retained Professional to understand each Retained Professional's role;

- Determined the adequacy of the submissions and recommended, if necessary, areas of improvement;
- Reviewed reasonableness of time entries within the context of the case;
- Reviewed all expenses for appropriateness and reasonableness;
- Identified best practices for future submissions to be shared with all Retained Professionals;
- Requested that each professional submit a monthly budget at least two weeks before the month in question for review and comment by the Fee Committee.

A. Review of Fees:

All time records were reviewed by Feinberg Rozen, LLP and BrownGreer for compliance with applicable Guidelines. Some of the issues outlined below applied to a number of the fee applications submitted by the various Retained Professionals. These issues either needed clarification or required additional detail or explanation and will serve as additional guidance going forward.

- Lumping – time not reported in fractional 1/10 of an hr.
- Calculation errors
- Billing rate variations/increases with no explanation
- Duplicate entries
- Excessive hours billed in day (18 > hours/day)
- Multiple timekeepers on same task
- Insufficient detail for billed tasks
- Fees appear to be overhead or administrative
- Excessive time for invoice/fee application preparation

In a limited number of entries, the Fee Committee found the fees requested for certain tasks to be not compensable.

B. Review of Expenses:

All expenses for the Retained Professionals were reviewed. In the course of its review, the Fee Committee found the following issues:

- Hotel Expenses – dates of stay are not provided; other travel expenses are “lumped” into the lodging category but are not defined;
- Airfare – no class of service provided;
- Ground Transportation – a per mile charge not provided when charging mileage;
- Meals while on travel and otherwise – insufficient or no detail provided for those in attendance, or in some cases, insufficient or no detail as to the purpose of the meal charge;
- On-line research (Westlaw, Lexis, etc.) – no detail provided as to subject matter;
- Photocopying – no per page charge provided.

The majority of expense issues require additional information and more specific descriptions. In a limited number of cases, the Fee Committee found the expenses to be excessive or not compensable.

II. The Fee Committee’s Recommendations

Set forth below are the Fee Committee’s unanimous recommendations regarding the First Interim Fee Applications. The Fee Committee has sent each Retained Professional an Individual Summary Sheet setting forth in detail those few fees and expenses the Fee Committee considers not compensable; in addition, it has described those fees and expenses found questionable for lack of sufficient information but which are not inappropriate.

A. Expenses:

The Committee concluded that certain expenses submitted by the Retained Professionals are inappropriate. In these instances, the Fee Committee recommends that the inappropriate expenses be disallowed. The total amount of these expenses is \$75,114.17 out of \$2,766,806.56.

In addition, certain additional expenses set forth in the First Interim Fee Application are inadequately explained or insufficiently described. Pursuant to the terms and conditions of the Fee Protocol (Fee Protocol, Fee Disputes), each Professional shall be afforded an opportunity to explain and negotiate with the Fee Committee concerning these questioned additional expenses. At the conclusion of these discussions and negotiations, the Fee Committee will decide whether or not these questioned additional expenses are warranted or should be disallowed. In addition, the Retained Professionals are now on notice going forward that these questioned additional expenses will be subject to greater scrutiny by the Fee Committee.

B. Fees:

The Committee concluded that certain fees submitted by the Retained Professionals are inappropriate. In these instances, the Fee Committee recommends that the inappropriate fees be disallowed. The total amount of these fees is \$223,262.01 out of \$96,181,531.71.

In addition, certain additional fees set forth in the First Interim Fee Application are inadequately explained or insufficiently described. Pursuant to the terms and conditions of the Fee Protocol (Fee Protocol, Fee Disputes) each Professional shall be afforded an opportunity to explain and negotiate with the Fee Committee concerning these questioned additional fees. At the conclusion of these discussions and negotiations, the Fee Committee will decide whether or not these questioned additional fees are warranted or should be disallowed. In addition, the Retained Professionals are now on notice going forward that these questioned additional fees will be subject to greater scrutiny by the Fee Committee.

C. Future Additional Guidelines:

In addition to the issues noted in each of the Retained Professionals Individual Summary Sheets, the Committee recommends that the following guidelines apply to prospective fee applications:

- Any charge of more than 18 billable hours in a day should contain an explanation of the circumstances requiring such a charge;
- Hotel charges that are over \$500 per day should contain an explanation setting forth the necessity of the charges;
- Meals should be limited to \$20 per person for overtime and working meals. Charges for meals incurred during travel will be evaluated based on the individual circumstances but ordinarily will not be approved if over \$40 per person; meal charges for conferences and/or meetings should contain a description of the purpose or subject of the conference or meeting and number of attendees;
- Car services should only be utilized after 8 P.M. and reimbursement should be limited to \$100.00 per trip.

D. Holdback:

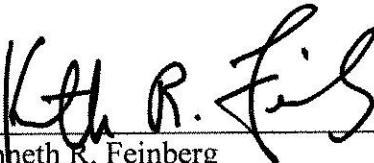
The Fee Committee recommends that the 20% holdback be reduced to 10% for the First Interim Fee Applications pending the resolution of the outstanding issues noted by the Fee Committee in the Individual Summary Sheets that have been sent to the Retained Professionals. In addition, the Fee Committee emphasizes that its recommendation regarding the remaining 10% holdback is due to the early stage of these proceedings and is designed to protect against unanticipated future events. During the next 120 days, pursuant to the Fee Protocol, the Fee Committee will meet and confer with the Retained Professionals to discuss the Retained Professionals' responses to the issues raised in this Report and specified in detail in the

Individual Summary Sheets¹. To the extent that the issues set forth in the Individual Summary Sheets are resolved during this period, the Fee Committee will recommend the release of all or part of the 10% holdback of the First Interim Fee Application in its subsequent Report pertaining to the Second Interim Fee Applications.

E. Budgets:

All September budgets of Retained Professionals must be received by the Fee Committee no later than August 15, 2009. During the period between August 15 and September 1, 2009, the Fee Committee will confer with the Retained Professionals to discuss issues regarding each respective budget.

Respectfully Submitted,



Kenneth R. Feinberg
Chairman, Fee Committee

/s/ John K. Suckow

John K. Suckow
President, Lehman Brothers Holdings, Inc.

/s/ Julie J. Becker

Julie J. Becker
Representative, Official Committee of the
Unsecured Creditors

¹ Subject to the cooperation of the Retained Professionals in question, the Committee will use good faith efforts to complete this process prior to the submission of its Report pertaining to the Second Interim Fee Applications.

/s/ Diana G. Adams

Diana G. Adams
United States Trustee